

# **LOCKWELL INVESTMENTS, LLC**

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**December 20, 2010**

This Brochure provides information about the qualifications and business practices of LOCKWELL INVESTMENTS, LLC ["LOCKWELL INVESTMENTS"]. If you have any questions about the contents of this Brochure, please contact us at 646.380.8206 or [becky.mcginis@lockwellinv.com](mailto:becky.mcginis@lockwellinv.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

LOCKWELL INVESTMENTS is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about LOCKWELL INVESTMENTS also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## MATERIAL CHANGES

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated **December 20, 2010** is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested, free of charge, by contacting Rebecca McGinnis, Compliance Officer at 646.380.8206 or [becky.mcginis@lockwellinv.com](mailto:becky.mcginis@lockwellinv.com). Our Brochure is also available on our web site [www.lockwellinv.com](http://www.lockwellinv.com).

Additional information about LOCKWELL INVESTMENTS is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with LOCKWELL INVESTMENTS who are registered, or are required to be registered, as investment adviser representatives of LOCKWELL INVESTMENTS.

## ADVISORY BUSINESS

### *Our Business*

LOCKWELL INVESTMENTS provides its clients (pension and profit sharing plans, individuals, trusts, estates and charitable organizations, etc.) with discretionary and non-discretionary investment advisory and consulting services. LOCKWELL INVESTMENTS does not hold itself out as providing financial planning, estate planning, or insurance planning services. To the extent specifically requested by a client, LOCKWELL INVESTMENTS *may* provide limited consultation services to its investment management clients on investment and noninvestment related matters that are generally ancillary to the investment management process. Any such consultation services, to the extent rendered, shall be rendered exclusively on an unsolicited basis, for which LOCKWELL INVESTMENTS shall usually not receive any separate or additional fee. LOCKWELL INVESTMENTS does provide consulting services to non investment management clients on investment and noninvestment related matters on an hourly basis. Any such consultation services, to the extent rendered, shall be rendered exclusively on an unsolicited basis.

### *Our Background*

LOCKWELL INVESTMENTS was formed in 2009 and reformulated in August, 2010 when the current employees of LOCKWELL INVESTMENTS joined the firm. LOCKWELL INVESTMENTS is principally owned by Richard Glass. Current employees own 80% of the firm, while outside investors own the remaining 20% of the firm.

### *Our Strategies*

LOCKWELL INVESTMENTS offers two investment strategies: Small Cap Value Equity strategy and Small/Mid Cap Value Equity strategy. Both strategies are managed similarly across all clients. Clients invested through separate account structures do have the ability to provide certain restrictions around individual securities if they so desire. As of December 20, 2010, LOCKWELL INVESTMENTS manages approximately \$1.2 million in discretionary seed capital.

## FEES AND COMPENSATION

LOCKWELL INVESTMENTS' standard fee schedules are:

Investment Management Services:

### Small Cap Value Equity strategy

1.00% on the first \$100 million

0.90% on the balance over \$100 million

### Small/Mid Cap Value Equity strategy

0.90% on the first \$100 million

0.80% on the balance over \$100 million

### Consulting Services:

Hourly rate of \$750

The specific manner in which fees are charged by LOCKWELL INVESTMENTS is established in a client's written agreement with LOCKWELL INVESTMENTS. LOCKWELL INVESTMENTS will generally bill its fees on a quarterly basis in arrears. Consulting clients will be billed fees on a monthly basis in arrears. Clients may also elect to be billed directly for fees or to authorize LOCKWELL INVESTMENTS to directly debit fees from client accounts. Management fees shall be calculated on the market value of the assets in the account on the last day of the quarter prorated for each capital contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals). Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any earned, unpaid fees will be due and payable.

Clients may incur certain charges imposed by custodians, brokers and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Exchange Traded Funds also charge internal management fees, which are disclosed in a fund's prospectus.

Such charges, fees and commissions are exclusive of and in addition to LOCKWELL INVESTMENTS' fee, and LOCKWELL INVESTMENTS shall not receive any portion of these commissions, fees, and costs.

The section, Brokerage Practices, on page 7 further describes the factors that LOCKWELL INVESTMENTS considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

## **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

In some cases, LOCKWELL INVESTMENTS will enter into performance fee arrangements with qualified clients. Such fees are subject to individualized negotiation with each client. LOCKWELL INVESTMENTS will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (The Advisors Act) in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring clients' assets for the calculation of performance-based fees, LOCKWELL INVESTMENTS shall include realized and unrealized capital gains and losses. Performance based fee arrangements may create an incentive for LOCKWELL INVESTMENTS to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. LOCKWELL INVESTMENTS has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

## **TYPES OF CLIENTS**

LOCKWELL INVESTMENTS provides portfolio management services to individuals, high net worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, trust programs, sovereign funds, foreign funds such as UCITs and SICAVs, and other U.S. and international institutions. No minimum asset level is required in order for LOCKWELL INVESTMENTS to manage a client's assets on a separate account basis.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### ***Methods of Analysis***

LOCKWELL INVESTMENTS utilizes fundamental security analysis in determining which stocks to purchase and sell in client accounts. Fundamental analysis involves analyzing a company's financial statements and health, its management and competitive advantages and its competitors and markets. Given LOCKWELL INVESTMENTS focus on small to mid capitalization value companies, primary risks that investors accept are equity risk, liquidity risk and company risk. Equity risk is the risk that a portfolio of securities will decrease due to a decrease in stock prices. Liquidity risk is the risk that a given security cannot be traded quickly enough in the market to prevent a loss or make the required profit. Company risk is the risk that certain factors affecting a specific company may cause its stock to change in price in a different way from stocks as a whole.

### ***Investment Strategies***

LOCKWELL INVESTMENTS manages two investment strategies: Small Cap Value Equity and Small/Mid Cap Value Equity. Both strategies utilize a disciplined, bottom-up, fundamentally driven process focused on proprietary research to identify investor biases that frequently cause quality companies to trade at compelling valuations in the small/mid cap value equity universe.

### ***Risk of Loss***

Although LOCKWELL INVESTMENTS makes every effort to preserve each client's capital and achieve real growth of wealth, investing in the stock markets involves risk of loss that each client should be prepared to bear. Investing in foreign stock markets involves additional risks including political and economic risks, currency risks and differences in accounting methods.

## **DISCIPLINARY INFORMATION**

There have been no disciplinary events and no material legal events related to LOCKWELL INVESTMENTS.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Neither LOCKWELL INVESTMENTS nor its supervised persons are involved in any other financial industry activities or has any affiliations.



## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

### *Code of Ethics*

LOCKWELL INVESTMENTS has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at LOCKWELL INVESTMENTS must acknowledge the terms of the Code of Ethics annually, or as amended. LOCKWELL INVESTMENTS' clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Chief Compliance Officer, Rebecca McGinnis.

### *Participation or Interest in Client Transactions*

Firm policy prohibits any employee or related person of LOCKWELL INVESTMENTS from buying or selling any securities for their individual accounts, other than shares of mutual funds that the firm purchases or sells in advisory client accounts. LOCKWELL INVESTMENTS' employees and persons associated with LOCKWELL INVESTMENTS are required to follow LOCKWELL INVESTMENTS' Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of LOCKWELL INVESTMENTS may trade for their own accounts in securities which are not recommended to and/or purchased for LOCKWELL INVESTMENTS' clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of LOCKWELL INVESTMENTS will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of LOCKWELL INVESTMENTS' clients. In addition, the Code requires pre-clearance of many transactions, and restricts trading in close proximity to client trading activity.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with LOCKWELL INVESTMENTS' obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. LOCKWELL INVESTMENTS will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

## **BROKERAGE PRACTICES**

### ***Selecting Brokerage Firms***

LOCKWELL INVESTMENTS considers multiple factors when selecting broker-dealers to execute client transactions. These factors include the broker-dealer's commissions (explicit costs), quality of research, ability to provide necessary liquidity in the stock being traded and previous track record of execution capability (implicit costs). When trading small cap equities, it is important to realize that many companies in which LOCKWELL INVESTMENTS invests are regional in nature and regional brokers may have better research on the company and a greater understanding of the historical buyers and sellers of the company's stock. While a different broker may offer a cheaper explicit trading cost, LOCKWELL INVESTMENTS focuses on the overall trading costs associated with buying or selling a specific company's stock.

### ***Soft Dollars***

LOCKWELL INVESTMENTS does consider the quality of research it receives in determining which broker-dealer to utilize in executing client transactions. This may lead to situations in which LOCKWELL INVESTMENTS will pay a higher explicit commission on a transaction than may be obtained from a different broker-dealer. In paying a higher explicit commission rate in return for receiving research, LOCKWELL INVESTMENTS receives a benefit since it does not have to produce or pay for the research. This may give LOCKWELL INVESTMENTS an incentive to select or recommend a broker-dealer based on its interest in receiving the research, rather than in the clients' interest in receiving the most favorable execution. Since all research received is used in decision making across the entire portfolio and all transactions are aggregated across all client portfolios, LOCKWELL INVESTMENTS believes the benefits received from such research is distributed proportionately to all client accounts.

Firm policy prohibits the use of soft dollars for products and services (rent, technology, operating expenses) other than research that directly benefits client portfolios.

### ***Directed Brokerage***

LOCKWELL INVESTMENTS does not currently have any clients that require brokerage to be directed to a specific broker-dealer. If a client did request brokerage to be directed to a specific broker-dealer, LOCKWELL INVESTMENTS may be unable to achieve the most favorable execution of client transactions. Directing brokerage may cost clients more money than if brokerage was not directed. For example, if LOCKWELL INVESTMENTS was requested to direct brokerage in a specific account, the client may pay higher brokerage commissions as transactions in that account may not be able to be aggregated with other

client account orders to reduce transaction costs, or the client may receive less favorable prices.

### *Aggregation of Orders*

LOCKWELL INVESTMENTS uses best efforts to manage all client accounts equally subject to any client imposed investment guidelines. As such, LOCKWELL INVESTMENTS aggregates the orders for the purchase or sale of securities for various client accounts wherever possible.

### *Cross Trades*

It is LOCKWELL INVESTMENTS' policy that the firm will not affect any principal or agency cross securities transactions for client accounts. LOCKWELL INVESTMENTS will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. LOCKWELL INVESTMENTS does not act as a broker-dealer.

## **REVIEW OF ACCOUNTS**

### *Periodic Reviews*

For those clients to whom LOCKWELL INVESTMENTS provides investment supervisory services, all account reviews are conducted on an ongoing basis by the Chief Compliance Officer, Rebecca McGinnis. All investment supervisory clients are advised that it remains their responsibility to advise LOCKWELL INVESTMENTS of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review investment objectives and account performance with LOCKWELL INVESTMENTS on an annual basis.

### *Regular Reports*

Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. LOCKWELL INVESTMENTS will provide clients with a summary account statement on a quarterly basis.

## CLIENT REFERRALS AND OTHER COMPENSATION

LOCKWELL INVESTMENTS does not have any referral or solicitation arrangements whereby a person or entity is compensated for providing us business.

## CUSTODY

### *Account Statements*

LOCKWELL INVESTMENTS is not a broker-dealer and does not take possession of client assets. Our client assets are housed in nationally recognized brokerage firms, otherwise known as qualified custodians. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains their investment assets. LOCKWELL INVESTMENTS urges you to carefully review such statements and compare official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### *Direct Debit of Fees*

LOCKWELL INVESTMENTS does have the ability to directly debit fees from the client's account. LOCKWELL INVESTMENTS has policies and procedures in place to ensure fees are calculated correctly and in accordance with the client's agreed upon rates. *Please refer to Fees and Compensation on page 3.*

## INVESTMENT DISCRETION

LOCKWELL INVESTMENTS usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. LOCKWELL INVESTMENTS requires that an Investment Management Agreement be executed with each client before it will assume discretionary authority for the client's assets.

When selecting securities and determining amounts, LOCKWELL INVESTMENTS observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, LOCKWELL INVESTMENTS' authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to LOCKWELL INVESTMENTS in writing.

## **VOTING CLIENT SECURITIES**

LOCKWELL INVESTMENTS accepts authority to vote its clients' proxies. LOCKWELL INVESTMENTS will vote proxies to, in our opinion, maximize the value to our shareholders. We will utilize a third party service to evaluate the individual issues and provide recommendations on each proxy. LOCKWELL INVESTMENTS will then review the recommendations and vote according to its belief in maximizing shareholder value. LOCKWELL INVESTMENTS will provide clients with a copy of our policies and procedures around voting proxies at the time an Investment Management Agreement is entered into. Our policies and procedures around voting proxies will also be available on our website at [www.lockwellinv.com](http://www.lockwellinv.com). Clients may also contact our Chief Compliance Officer, Rebecca McGinnis, to receive a complete summary of how LOCKWELL INVESTMENTS voted all proxies. In those instances when a client desires to vote its own proxies on an ongoing basis, such decision will be documented in the Investment Management Agreement. LOCKWELL INVESTMENTS will then work with the client and the client's custodian to assure that all proxies are delivered directly to the client. In the situation where a client does not want ongoing responsibility for voting all proxies but does want to vote a specific proxy, it is incumbent on the client to contact the Chief Compliance Officer, Rebecca McGinnis, to make their intentions known.

## **FINANCIAL INFORMATION**

LOCKWELL INVESTMENTS does not require or solicit prepayment of fees.

LOCKWELL INVESTMENTS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

## **REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Richard Glass serves as the managing member of LOCKWELL INVESTMENTS. Richard graduated from the University of Pennsylvania in 1991 with a degree in finance. He has earned the right to use the Chartered Financial Analyst designation. Prior to joining

LOCKWELL INVESTMENTS in August 2010, Richard worked for Wood Struthers & Winthrop from 1991 to 1996, Neuberger Berman from 1996 to 1999, Morgan Stanley Investment Management from 1999 to May, 2010 and Invesco Advisers from June, 2010 to July, 2010.

Rebecca McGinnis serves as the Chief Operating Officer and Chief Compliance Officer. Rebecca graduated from Idaho State University with a degree in accounting and finance. Rebecca has earned the right to use the Certified Public Accountant designation. Prior to joining LOCKWELL INVESTMENTS in August, 2010, Rebecca was employed by Engleson, Hunter & Capell from 1999 to 2002, AMI Semiconductor from 2002 to 2005, Fortis Prime Fund Solutions from 2005 to 2008 and BAM Capital from 2008 to August, 2010.

LOCKWELL INVESTMENTS sole business is in providing investment advice as described on page 5 in the section, ADVISORY BUSINESS.

LOCKWELL INVESTMENTS will accept performance-based fees as detailed on page 7 in the section, PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.

There have been no disciplinary events and no material legal events related to LOCKWELL INVESTMENTS as detailed on page 8 in the section, DISCIPLINARY INFORMATION.

LOCKWELL INVESTMENTS, its management or supervised persons have no relationship or arrangement with any issuer of securities.